

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 INT-08 DODE-00 PM-07 H-03

L-03 NSC-10 PA-03 PRS-01 SS-15 USIA-12 IO-13 STR-08

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SUBJ: ALLENDE AND MINISTER OF ECONOMY CADEMARTORI
ON CHILEN ECONOMY

REF: SANTIAGO 3090

1. SUMMARY. IN JULY 11 SPEECH BEFORE EL SALVADOR COPPER WORKERS PRESIDENT ALLENDE NOTED PRESENT ECONOMIC DIFFICULTIES, POINTED OUT IMPORTANCE OF INCREASED AGRICULTURAL AND MINING PRODUCTION, AND ASKED FOR GREATER REVOLUTIONARY CONSCIENCE TO CARRY OUT STRUCTURAL REFORMS. NEW MINISTER OF ECONOMY CADEMARTORI (PCCH), IN TV APPEARANCE SAME DAY, CLAIMED GOC CREATING CONDITIONS THIS YEAR FOR ECONOMIC IMPROVEMENT IN 1974. HE SAID GOVERNMENT, IN COOPERATION WITH CUT (LABOR FEDERATION), WAS STUDYING SITUATION OF RECENTLY SEIZED FIRMS, SOME OF WHICH MAY GO INTO THE SOCIAL AREA, AND WAS ALSO SIGNING PRODUCTION AGREEMENTS LINKING FUTURE SALARY INCREASED TO PRODUCTIVITY RISES. END SUMMARY.

2. ALLENDE REFERRED TO SOME OF COUNTRY'S ECONOMIC DIFFICULTIES, NOTING CHILE SHARED SOME OF SAME PROBLEMS WITH OTHER LDC'S, AS UNCLASSIFIED

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WELL AS FACT COUNTRY WAS IN REVOLUTIONARY PROCESS WHICH DOES

NOT TRANSFORM SOCIETY OVERNIGHT. HE SAID CHILE WILL HAVE TO IMPORT \$460 MILLION IN FOODSTUFFS THIS YEAR (OUT OF CLAIMED TOTAL IMPORT BUDGET OF 1,150 MILLION) AND COMPLAINED OF RISING IMPORT PRICES. HE NOTED SOME RECENTLY SEIZED ENTERPRISES WERE NOT PRODUCING, WHICH WAS AN "ERROR." ALLENDE SAID THAT UNPLANNED SEIZURES OF ANY FIRMS, PUBLIC OFFICES OR SCHOOLS PREJUDICES REVOLUTIONARY PROCESS AND GIVES APPEARANCE OF ANARCHY. HE EMPHASIZED THAT IT WAS NOT RETROGRESSION IF SOME SEIZED ENTERPRISES WERE RETURNED TO PRIVATE OWNERS. HE ALSO CRITICIZED THOSE WHO PROFITED PERSONALLY FROM REVOLUTION.

3. IN ADDITION TO USUAL CALL FOR INCREASED PRODUCTION, PRESIDENT NOTED IMPORTANCE OF AGRICULTURAL AND MINING SECTORS. HE CLAIMED GOC HAD INVESTED \$103 MILLION IN PRODUCTIVE ENTERPRISES IN PAST TWO YEARS AND LISTED RECENTLY PLANNED MINING IMPROVEMENTS. HE PRAISED PRODUCTION AGREEMENT WITH EL SALVADOR MINERS, WHICH INCLUDED GREATER WORKER PARTICIPATION IN MANAGEMENT, AND HOPED FOR INCREASE OF 10-15 PERCENT IN SALVADOR OUTPUT. ALLENDE ALSO STATED THAT STATE DISTRIBUTION OF GOODS HAD TO BE DONE IN EQUITABLE FASHION BECAUSE EVERY CHILEAN HAS RIGHT TO RECEIVE BASIC FOODSTUFFS.

4. CADEMARTORI, ACTING ON ORDERS OF PRESIDENT AND ECONOMIC COMMITTEE, TOLD TV AUDIENCE THAT PRESENT ECONOMIC SITUATION WAS "COMPLICATED," MOST IMPORTANT PROBLEMS BEING LACK OF SUPPLIES AND INDUSTRIAL RAW MATERIALS, AND INFLATION. HE CLAIMED GOC WAS ESTABLISHING CONDITIONS FOR ECONOMIC UPTURN NEXT YEAR. HE WAS OPTIMISTIC ABOUT FUTURE AGRICULTURAL PRODUCTION IN VIEW OF CROP PLANTINGS AND USE OF FERTILIZERS, AND BELIEVED THAT COPPER EXPORT EARNINGS WILL IMPROVE SUBSTANTIALLY IN 1973 BECAUSE OF PRESENT VERY HIGH COPPER PRICES OF WHICH GOVERNMENT EXPECTS TAKE ADVANTAGE SOON.

5. MINISTER SAID GOVERNMENT AND CUT WERE STUDYING ON CASE BY CASE BASIS SITUATION OF SEIZED FIRMS. HE THOUGHT SOME OF THESE ENTERPRISES WOULD BE ADDED TO PUBLIC SECTOR. THE MOST IMPORTANT TASK, HE EMPHASIZED, WAS TO NORMALIZE AND INCREASE PRODUCTION. HE SAID GOC WAS DISPOSED TO TALK DIRECTLY WITH FOREIGN FIRMS IF THEY HAD INVESTMENT IN UNCLASSIFIED

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ENTERPRISES PLANNED FOR "SOCIAL AREA." CADEMARTORI ALSO POINTED OUT THAT GOVT. HAD NEGOTIATED 16 PRODUCTION/SALARY AGREEMENTS (WITH 8 MORE PENDING), WHICH TIED FUTURE WAGE RAISES TO INCREASED PRODUCTION AND PRODUCTIVITY. HE CLAIMED THAT RECENT AGREEMENT WITH EL TENIENTE MINERS FELL INTO THIS CATEGORY.

6. COMMENT. BOTH STATEMENTS, PARTICULARLY THE ONE
BY CADEMARTORI, INDICATE UP HOPE FOR BETTER TIMES
IN 1974 AND DETERMINATION TO PRESS FORWARD TO GREATER
CONTROL OVER CHILEAN ECONOMY.
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